



**MEETING MINUTES OF THE
HAWAII TECHNOLOGY DEVELOPMENT CORPORATION (HTDC)
BOARD OF DIRECTORS**

Wednesday, January 30, 2019

Hawaii Center for Advanced Transportation Technologies
707 Richards St., Suite 616
Honolulu, HI 96813

PRESENT

Elijah Yip, 1st Vice Chair
Mary Alice Evans, DBEDT
Creighton Arita
Linda Rosehill, NELHA
Martin Zorn
John Morton, University of Hawaii

STAFF PRESENT

Len Higashi, HTDC Acting Director
Wayne Inouye, INNOVATE Hawaii
Ray Gomez, HTDC Staff
Stan Osserman, HCATT Director
Sophia Lam, INNOVATE Hawaii
Sandy Park, HTDC Staff

EXCUSED:

Derek Lau
Race Randle
Craig Nakanishi
Mark Anderson
Bella Hughes

COUNSEL:

Dawn Apuna, Deputy Attorney General

GUESTS:

Duke Hartman, Navatek
Senator Jarrett Keohokalole
Sam Dold, Colliers
Mike Hamasu, Colliers

1. **Call to Order.** The meeting was called to order by Vice Chair Elijah Yip at 3:04 pm.
2. **Approval of Minutes** – November 1, 2018 HTDC Board meeting
Motion made by John Morton to approve the November 1, 2018 minutes of the HTDC Board meeting and seconded by *Martin Zorn*. *None opposed. Motion passed.*

- December 14, 2018 HTDC Board Meeting
Motion made by Mary Alice Evans to approve the December 14, 2018 minutes of the HTDC Board meeting and seconded by *John Morton*. *None opposed. Motion passed.*
3. **Federal Projects Committee Report**
 - A. Review of SBIR Budget – Acting Executive Director, Len Higashi reported that the budget was discussed in the November 1, 2018 HTDC Board meeting and as there were no awards since then, there is nothing to report at this time.
4. **Grant Rules**
 - A. HSBIR Administrative Rules and HONR Energy Project Grant rules update – Len Higashi reported that the rules for the HSBIR and HONR Energy Project grants were

discussed in the November 1, 2018 HTDC Board meeting. The rules were sent to the Governor in October and are pending approval. Applications were opened to begin the process, pending Governor's approval.

- B. R & D Tax Rules update – Len Higashi reported that the public hearing was held in January and 2 company representatives were present, Duke Hartman from Navatek and Laurie Tamura from Maui Innovation Group. A key issue brought up in the hearing was the additional clause to prevent companies from applying to grant and claiming tax credits at the same time.

Len Higashi asked AG Dawn Apuna to comment on the legal issues. Dawn Apuna cited rule 15-38 Paragraph 5C, which states that a business cannot claim tax credit if applying for the grant. However, HTDC does not have the authority to restrict a business from applying for the tax credit, unless it is stated in the statutes #235 or Senate Bill 3000.

Motion was made by Elijah Yip to delete Paragraph C in the proposed draft of Rule #15-38. *Motion seconded by Linda Rosehill. None opposed.* Motion unanimously approved that paragraph C would be removed. The AG will determine if it is necessary to hold another public hearing.

5. Innovation Centers update

A. Sandbox

a. Len Higashi reported that HTDC is close to finalizing an agreement with the investment group, Apaman. However, Apaman has advised that there is now a 6 month hold on all new investments, due to an accident in Japan.

b. Construction progress – Mr. Higashi advised that construction is ongoing. The RFP for a partner to run the co-working space and provide programs will be reviewed next week and the partner will be selected through a competitive procurement. Currently there are no funds for furniture and equipment (F&E), so a request for funding is in the Governor's budget. Old furniture will be used temporarily. A soft opening is planned for April with a blessing.

Creighton Arita asked whether other funds could be used. Len Higashi stated all available funds are currently being used.

B. Maui Research and Technology Center (MRTC)

- a. MRTC Permitted Interaction Group- Martin Zorn reported on the committee's findings. Mr. Zorn complimented Ray Gomez, HTDC Controller and Carl Nagasako of DBEDT for their excellent reports and outstanding job on the

financials and cash and non-cash entry. They were able to break everything out and look at it from a cash flow basis. Also, he thanked Colliers for being very helpful. Martin Zorn noted that the committee looked at reconciliation and spent time looking at the market from a vacancy and occupancy perspective. It was found that MRTC is operating on a negative cash flow basis because of its low occupancy rate due to the loss of the UH super computer contract several years ago. There was a strong marketing effort made with the Co Hana program. However, the Kihei area has a high vacancy rate with a lot of competition. Martin Zorn recommended that HTDC staff look at the needs of tech businesses in South Maui and the negative cash flow at MRTC and come back with a set of recommendations at the June 6, 2019 board meeting. This will allow time to evaluate what actions should be taken.

- b. Mike Hamasu, Colliers Director of Consulting and Research presented information on the South Maui Office Market. Mr. Hamasu stated that the unemployment rate is very low. The job growth and employment are the major drivers for commercial real estate and there has been zero growth in office jobs over the year. Since there is no job growth and no expansion, there has not been any interest for additional office space.

AG Dawn Apuna stated that the zoning for MRTC limits type of businesses that can rent. Len Higashi noted that the facility must fit the mission of HTDC which includes manufacturing. Technology is broad and INNOVATE Hawaii, part of HTDC's program, can support manufacturing businesses. Creighton Arita agreed that technology is broad enough to include a range of businesses. Martin Zorn reported that Maui Wine and Maui Brewing are manufacturing using robotics.

- C. The Cube – update on future incubator options – Len Higashi reported that there are no updates at this time.

6. Tech Parks update

- A. First Responder Tech Campus- Len Higashi reported that the contract with SSFM is not finalized at this time pending approvals. A presentation will be scheduled at a later meeting.
- B. Hilo Multipurpose Processing Facility – Len Higashi introduced Wayne Inouye who has taken the lead on this project since Robbie Melton left.
 - a. Wayne Inouye reported that he has been getting up to speed on the project and working with project stakeholders. HTDC is in discussion with David Sikkink of Foreign Trade Zone about leasing a site and Elaine Young with the Department of Labor and Industrial Relations to understand the workforce training mission of the facility. \$11 million in General Obligation Bonds has been appropriated for plan, design and construction. In order to build out Phase 1 as originally planned, the budget needed is close to \$20 million. HTDC plans to build a scalable facility with

the available funding. Once this is completed, additional grant funding can be applied for to expand the facility.

7. HTDC Staff Program Updates

- A. HCATT – Stan Osserman reported that the Hawaii Center for Advance Transportation Technology (HCATT) is a wholly federally funded program of HTDC. HCATT does energy work and helps develop new business start-ups. HCATT is working with two inventors from Maui who received a grant from the Air Force and a hydrogen electrolyzer company expanding to Hawaii. US Hybrid is supporting the Polynesian Voyaging Society by working on the Hikianalia and transforming the engine to a propulsion system using hydrogen fuel cells. Another project is a micro grid for the Hawaii Air National Guard for energy storage and resilience. HCATT has received \$10 million and has been awarded an additional \$30 million. If Congress continues to allocate money to the Air Force, HCATT will continue with these projects.
- B. INNOVATE Hawaii – Wayne Inouye reported that INNOVATE Hawaii will receive an increase in federal funding from \$540,000 to \$600,000 starting April 1, 2019. This is due to the support from HTDC and the manufacturing clients. INNOVATE Hawaii is funded by the Department of Commerce National Institute of Standards and Technology (NIST) and the Manufacturing Extension Program. INNOVATE Hawaii's clients are local manufacturers and they receive training relating to manufacturing. All clients receiving services and training from INNOVATE Hawaii are surveyed through the Dept. of Commerce and HTDC is evaluated by the survey outcomes.

For the past period, HTDC received a score of a 100 on its report card. INNOVATE Hawaii is making a difference in the economy by creating synergy in the technology and manufacturing economy. HTDC plans to work with robotics to be more competitive in the global market.

C. Other HTDC Programs

- a. TechJobsHawaii- Len Higashi reported that the TechJobsHawaii.org website has been changed. It no longer is a job board, but now it is a connection to LinkedIn to connect employers with potential job seekers. The first launch was at the Holiday Tech and Manufacturing Job Fair this past December. HTDC used it to check in attendees at this month's WetWareWednesday event. The connection to LinkedIn is a way to network with people via events and their professional LinkedIn page.
- b. Holiday Tech Fair – The annual event had 220 attendees and 50 exhibitors. The featured services included the resume evaluations and professional headshots. Len Higashi reported that companies were hiring, but some attendees were not well qualified. The Tech Fair is also a venue for the public to become aware of the companies here in Hawaii and the type of positions available locally. The purpose of this event is to bring kama'aina back to Hawaii

8. **2019 Legislative Session-** Len Higashi reported on the various bills on funding for HTDC, the Sandbox incubator. There are also several bills merging HTDC and HSDC with the University of Hawaii. Although there are varying opinions out there, he believes that HTDC is in a good position. There are parties voicing concern and offering assistance as they are aware of HTDC's limited funding. However, there are different views and opinions on what type of assistance HTDC needs. Len Higashi states that he is doing his best to provide a clear picture of the work HTDC has accomplished.

Senator Keohokalole explained that HTDC is in a crisis, which creates an opportunity. There is more attention being paid to HTDC than in the past which can be both good and bad. The Legislature is changing the way it appropriates money through the budget. The Senate's budget bills are going to be base budget vehicles. Senator Keohokalole noted that further discussion is necessary.

Senator Keohokalole stated that his priority is tech-based economic development. The mechanisms that the state has to build tech industry are not working and there are conflicts. Communication is important and testimony on impacts and causation will be helpful.

Duke Hartman from Navatek, asked what is it the stake holders are asking for and is it different from HTDC's ask? Senator Keohokalole stated that workforce development, technical assistance, access to capital and building buildings are important, but that is not what everyone wants or agrees to. Emphasis on getting federal money to build buildings is how economic development happens, but there is trouble on how to pivot as this is no longer working. Len Higashi stated that HTDC needs to do a better job at reporting results.

9. **HTDC Funding Permitted Interaction Group*** Len Higashi advised that this item was discussed in the November 1, 2018 HTDC Board meeting and there is nothing to report at this time.
10. **Discussion and Action on Personnel Matters Relating to the Executive Director Position*** Len Higashi reported that this item was discussed in the November 1, 2018 HTDC Board meeting and as there is nothing to report at this time.
11. **Discussion and Action Relating to the HTDC Budget*** Len Higashi reported that this item was discussed in the November 1, 2018 HTDC Board meeting and as there is nothing to report at this time.

12. HTDC Reports

- A. Chair's Report – Mr. Yip advised that there is nothing to report at this time.

- B. Executive Director's Report: Len Higashi stated that this has been a transition month. He thanked the HTDC team who are wearing many hats and also thanked HTDC Board members for their support.
- a. HTDC Financial Report- HTDC Controller Ray Gomez reported that we are keeping expenses to a minimum. Budget set forth by Robbie. Based on all positions being filled. Len Higashi added that keeping expenses to minimum. Currently there are 7 positions open. Several positions were lost due to attrition. Best to plan on not getting any funding so to survive we need to make money and keep everyone employed. Revised financial plan will be done. Mary Alice Evans stated that Len and staff is doing a great job working with a limited budget and will support staff as they manage this crisis and will take a serious look at expenditures.
 - b. MEP Federal Grant Awards - No reports at this time
 - c. Exceleator Grant funds – No reports at this time
- C. Department of Business, Economic Development & Tourism (DBEDT) Report – No reports at this time
- D. Natural Energy Laboratory of Hawaii Authority (NELHA) Report – Ms. Rosehill stated that she is currently keeping tabs on Legislature session, with nothing major to report.
- E. Hawaii Strategic Development Corporation (HSDC) Report – No reports at this time
- F. University of Hawaii (UH) Report – No reports at this time

13. **Next HTDC Board Meeting: March 7, 2019**

14. **Adjournment**

Motion to Adjourn made by Creighton Arita and seconded by Martin Zorn, unanimously passed (6-0)